



Legislative Department Seattle City Council Memorandum

Date: April 17, 2013
To: All Councilmembers
From: Sara Belz, Council Central Staff
Subject: **Microhousing Forum on April 18**

Background

On Thursday, April 18, several Councilmembers will host a forum on microhousing. The event will be held in Council Chambers and include presentations by the Department of Planning and Development (DPD), the Office of Housing (OH), and Council Central Staff. An opportunity for public comment will also be provided.

In recent years, microhousing has emerged as an increasingly common residential building product in Seattle. Microhousing projects are generally comprised of apartment or townhome-style dwelling units, each of which contains several (often seven or eight) sleeping rooms clustered around a shared kitchen and laundry area. The sleeping rooms are typically 150 to 200 square feet in size and equipped with a kitchenette (refrigerator, microwave, sink) and private bathroom. Each sleeping room is leased to an individual tenant and rent levels, while subject to variation by location, are often in the range of \$600 to \$700 per month.

Developers have found Seattle offers a strong market for microhousing, with completed projects leasing up quickly. Tenants include, but are not limited to, students, service industry workers, and individuals who divide their time between Seattle and a residence in another location. Since 2006, DPD has received permit applications for 48 microhousing projects. Once all those projects are complete, it is estimated they will yield residential capacity for more than 2,300 people. Eighteen (38%) of the projects are located on Capitol Hill, 12 (25%) are in the University District, and the remainder are spread throughout the city.

Issue Identification

Microhousing development can create opportunities for low- and moderate-income individuals to secure housing in Seattle that is close to frequent transit service, jobs, and walkable commercial districts. However, as a relatively recent addition to Seattle's multifamily rental market, microhousing is not well-defined in City codes and, as a result, may not be adequately regulated. Among the issues and concerns the public has raised about Seattle's growing stock of microhousing are the following:

- Within microhousing projects, DPD applies the Land Use Code's definition of "dwelling unit" and counts the several sleeping rooms that surround a common kitchen and laundry area as a single residence (e.g., one apartment with eight

bedrooms and eight bathrooms). As a result, most microhousing projects do not meet the threshold for design review. If DPD were to count each of the sleeping rooms within a microhousing project as a separate dwelling unit, the number of microhousing projects that would be subject to design review would increase. According to DPD records, of the 48 microhousing projects permitted since 2006, only nine (19%) have gone through design review. However, if each of the individual sleeping rooms within the 39 remaining developments had been counted as a discrete dwelling unit, nearly all of those projects would also have been subject to design review.

- Evidence suggests that when design review is required the exterior portions of microhousing projects can be greatly improved (see illustration below from an analysis done by DPD's design review team). The design review process also provides opportunities for neighbors to comment and offer input on how the design of proposed projects addresses neighborhood priorities.

Figure 1: The City's design review process helped shape the final design of an early microhousing project located in the University District.



- DPD's current practice of counting multiple sleeping rooms within a microhousing project as part of a single dwelling unit also complicates efforts to measure progress toward adopted growth targets in the urban centers and villages where microhousing is located. It also can affect whether a proposed microhousing project is subject to environmental review under the State Environmental Policy Act (SEPA).
- Smaller functional elements of microhousing projects are also impacted by the way individual dwelling units are calculated. For example, design standards for garbage collection and storage areas on multifamily properties are linked to residential unit counts, and a microhousing project with 80 sleeping rooms may generate significantly more refuse than a traditional 10-unit apartment building. The manner in which U.S. Mail is distributed to residents of microhousing projects is also impacted by the way dwelling units are counted. When an individual dwelling unit within a microhousing project is defined as a single apartment or townhouse with several sleeping rooms surrounding a common kitchen and laundry area, the residents of such a unit share one address for the purposes of mail delivery. As a result, up to eight unrelated people who may not have previously known each other

prior to their renting sleeping rooms in the same microhousing project may be required to share unrestricted access to the same mailbox. This practice could place the privacy and personal security of microhousing tenants at some additional risk, unless they choose to use a postal box at a post office or other mail facility.

- Developers of 25 microhousing projects have successfully applied for tax exemptions through the Office of Housing's (OH) Multifamily Tax Exemption (MFTE) Program. In order to qualify for such an exemption, these developers contended that each of the individual sleeping rooms located within their microhousing projects was a studio apartment. This is inconsistent with how DPD currently counts dwelling units within microhousing projects. Additionally, had a uniform, cross-departmental unit counting policy been in place, it is likely that most of those 25 microhousing projects would have either been exempt from design review or eligible for a tax exemption – not both. Recognizing this problem, OH issued a new Director's Rule last month that states the number and size of dwelling units recorded for a project in an application for the MFTE program must match the number and size of dwelling units included in the developer's application to DPD for the building permits for that same project. The Director's Rule will be fully effective on April 26, 2013.
- Microhousing may not be an appropriate building type for all multifamily residential zones. Several neighborhood organizations have come together to advance the argument that microhousing is out of scale with much of the existing development found in the City's Lowrise zones and creates more density than is anticipated by the Lowrise zoning designation. They have also raised concerns about the potential for microhousing projects to overwhelm existing utility infrastructure in these areas.
- Microhousing projects are generally designed to house 25 to 100 individuals; however, on-site parking is rarely provided. This has the potential to create added competition for on-street parking on multifamily-zoned blocks that are already crowded with cars, especially in Restricted Parking Zones (RPZs). Without further analysis of car ownership patterns and parking usage (e.g., the number of parking permits issued to residents of microhousing buildings that are located within an RPZ), the parking impacts of microhousing projects are not clear. In the meantime, SDOT has begun working with DPD to develop processes for regulating microhousing at the dwelling unit level for purposes such as RPZ permit issuance. Within RPZs, the standard SDOT practice is to allow a total of up to four parking permits and one guest pass to be issued to the residents of individual dwelling units.
- Compared to the market rents charged for many studio apartment units in Seattle, individual living quarters within microhousing projects may be considered quite affordable; however, on a price-per-square foot basis, they are usually more expensive.

Potential Options for Future Council Action

Central Staff has identified the following action options related to the regulation of microhousing for the Council's review.

1. *Do Nothing*

The Council could choose to take no legislative action related to microhousing and allow projects that include this form of development to move forward without subjecting them to any additional regulatory controls.

2. *Pass Interim Controls Legislation (Council-Generated)*

DPD is currently evaluating options for improving the City's regulatory framework for microhousing. However, completing this work and shepherding a related ordinance through SEPA review and the traditional legislative process could take several months. In the meantime, microhousing developers will continue to apply for and receive permits that will vest under current City codes. In 2012 alone, DPD received applications for about 15 microhousing projects that are expected to include an estimated 810 sleeping rooms.

In the near-term, the Council also has the option of directing Central Staff to craft an interim control ordinance. Such an ordinance would place new, short-term restrictions on microhousing development that would remain in force for up to one year until DPD completes its analysis and finalizes a legislative package of more permanent regulatory reforms. Possible content options for an interim control bill (mutually exclusive) include, but are not limited to, the following:

- Placing a short-term moratorium on microhousing development; or
- Establishing provisional design review thresholds that would require a greater share of proposed microhousing projects to go through the design review process.

Similar to the recently passed ordinance on undersized lots (Ordinance 123978), interim control legislation on microhousing would require approval by three-fourths of the Council in order to take effect immediately. An interim control ordinance passed by the Council would have no impact on microhousing projects permitted by DPD prior to the effective date of said ordinance. Additionally, the Council cannot override a mayoral veto of interim control legislation.

3. *Pass Permanent Regulatory Legislation (Executive-Generated)*

Later this year, DPD expects to submit to the Council proposed regulatory legislation related to microhousing development. As DPD continues to evaluate issues of concern and develop its proposal, Councilmembers may want to identify specific, high-priority topics that they would like DPD to consider and review as part of its analysis.

Next Steps

Within the next few weeks, Councilmember Rasmussen plans to host another public forum on microhousing development. Details about this event will be made available to Councilmembers and the public as soon as it is scheduled. If you have any questions about the content of this memorandum, or about microhousing more generally, please feel free to contact me at any time (sara.belz@seattle.gov / 4.5382).